

Victorian Default Offer 2021

Public forum on our draft decision – Thursday 8 October 2020 – Question and Answer session

Question received from anonymous

Does the graph presented on the median of available market offers in Jemena's patch (below) look the same in the other networks?



Answer:

Yes, we see broadly similar outcomes in other distribution zones.

Question received from anonymous

How is it possible that retailers are not providing data to the ESC, when the ESC has powers to ask for data?

Answer:

We do receive cost data information from retailers, but to minimise the burden of our information request we ask for historical data (which is already audited by the business).

In terms of data related to the pandemic, cost data may have only been partially audited and it is not for a full year – it would not fit within our typical cost data information request.

Further, it is not clear how retailers are accounting for costs associated with the pandemic, and the treatment of these costs will be different for each retailer.

Given it is in the interest of retailers to provide evidence on the impact the pandemic is having on their costs, we expect that retailers would provide us with evidence needed for us to consider an adjustment to the cost allowances provided for in the VDO.

Question received from Shawn Tan

What specific costs are the ESC looking for from retailers relating to retail operating costs due to the pandemic? Would it be similar to what is already being provided by retailers on a voluntary basis to the ESC for customer debt since the start of the pandemic?

Answer:

As noted we collect cost data on an annual basis, if we could receive similar information for the period in which the pandemic has affected costs and compare it against historical cost data for the same parts of the year (for example the six months April to September), it would help us make an assessment of the impact the pandemic is having on retailer costs. Also helpful would be commentary and explanation of the changes to individual cost categories, enabling us to see what the drivers of change are – whether they are driven by the pandemic and whether the costs are likely to continue into 2021.

Question received from Brian

Why was it necessary to have retailers move to GST inclusive pricing as of 1 July 2019, when this makes the comparison by ordinary punters more difficult to judge pricing? With Pensioner Concession discounting, the calculations under DHHS ruling, changing to inclusive GST pricing manipulated the concession when it was struck under ex GST pricing....no one seems to be able to answer this question?

Answer:

This reform was proposed in 2018 as part of our consultation into 'New standards for energy bills and marketing'. The reform makes it simpler for customers to understand billing information and marketing materials, making it easier to compare prices. It also stops practices where some retailers quote or present GST exclusive tariffs to customers, which can make retail products seem more attractive and may lead customers into making incorrect conclusions about the retailer's prices. You can find out more on our [website](#), in particular chapter 5 of our final decision '[Building trust through new customer entitlements in the retail energy market the paper](#)'.

Question received Andrew Mair - Next Business Energy

Does the commission intend to factor in the ancillary charge changes (such as meter and meter reading charges which are generally rolled into retailer prices) that appear to be approved for Distribution Businesses as of 1/1/20?

Answer:

Many ancillary charges are separately itemised on customer bills. The VDO does not stop those charges from being itemised.

Question received from anonymous

Can the ESC step through the historic information it has used to validate that its approach for estimating LRET costs will compensate retailers for costs into 2021?

Answer:

To explore the impact of changes in large-scale generation certificate prices, we have considered cost data received from retailers on both wholesale and large-scale renewable energy target (LRET) costs (combining both costs). We then compare this with the combined allowance for wholesale and LRET costs in the VDO cost stack. We acknowledge this is backward looking, but it is the best information we have available to us. We have received some information from retailers, but it can be difficult to validate because it is not publicly available information.

Question received from anonymous

The Australian Energy Regulator's timetable for approval of 6-months of network prices is by 20 November - does this impact the timing of the ESC final decision (25 Nov) and what happens if the AER approval is delayed?

Answer:

We'll make our determination on the 2021 VDO by 25 November 2020. We are working on the basis that we will receive information from the AER by the 20 November. We welcome views from stakeholders on this timing.

Question received from anonymous

Patrick Sloyan (Consumer Action Law Centre) has suggested that retailers should be the only ones to wear risk. How does this work with the ESCs prohibition on disconnections where retailers are unable to mitigate this risk?

Answer:

There are currently no prohibitions on disconnections, but we are working closely with retailers to ensure consumers are not disconnected. This approach balances the ability for customers who can

pay to continue to pay. We are continuing to work with retailers, to understand the scope of disconnections, particularly as restrictions change.

Question received from anonymous

re: the chart on market offers in Jemena's region, does this mean over half of retailers are inefficient?

Answer:

The chart does not necessarily suggest that over half of retailers are inefficient. There are several reasons why offers might be above the VDO. The main one is that retailers may offer additional services, such as a higher level of customer service. If an offer provides consumer value – consumers may select that offer, even if it is priced above the VDO.

Question received from anonymous

Division 3 clause 9 of the General Exemption Order, reflected again in 3.2.1 of the Energy Retail Code, set out a number of obligations in relation to disclosure for exempt persons. What are the additional disclosure obligations required as the VDO is now applicable to Embedded Networks?

Answer:

Our final decision on [maximum prices for embedded networks and other exempt sellers](#) sets out requirements of exempt sellers to disclose information to customers. Information relating to tariffs is explained in chapter 5.

Question received from anonymous

In relation to Ben Barnes' (Australian Energy Council) presentation – you mentioned the additional cost of moving to working from home. Has anyone quantified these costs, as I don't recall any ASX listed company (across various sectors) providing estimates?

Answer:

The commission has not received any submissions from retailers with data quantifying working from home costs. We welcome any submissions that would allow us to consider these costs further. The working from home costs should be in the context of movements in total costs and costs that are expected to continue into next year.

Question received from anonymous

Retailers are only allowed to increase prices once a year. Does the same rule apply to Embedded Network/Exempt Person?

Answer:

This reform does not apply to exempt sellers (embedded networks). From 1 July 2020 licenced retailers are only allowed to increase prices once a year. For many customers, this will happen on a set date one month after network tariff prices change. Customers on fixed-price contracts will only experience any price increases on the anniversary of their initial fixed-price period expiring. More information on how we are ensuring contracts are clear and fair can be found on our [website](#).

Question received from Brian

Re concessions for pensioners, how is it that a pensioner has a debit or charge to their account ??? Should they not be all credits?

Answer:

We require more information about this issue. Please contact Energy Enquiries energy.enquiries@esc.vic.gov.au.

Comment received from Brian

It does really appear that setting pricing, using methods outlined by the ESC is providing pricing to retailers which suit a model which do not reflect the customer side of economics - called ineffective retailing and encouragement to create more retailers!

Comment received from Brian

My analysis of retail pricing by Origin since 2009 shows that network charges have risen by 150% yet peak Kwh price has reduced by 33.6% and off peak increased by 10.5%...not sure why ESC sees it differently! (ex GST).